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NOTIFICATION

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Dated, Trivandrum, 5th September, 1983.

The following Act of Parliament, published in a Gazette of India Extraordinary, Part II-Section 1, dated the 13th May, 1983 is hereby republished for general information. The Bill as passed by the Houses of Parliament received the assent of the President on the 13th May, 1983.

By order of the Governor,

K. VISWANATHAN NAIR,
Law Secretary.

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THE FINANCE ACT, 1983

(Central Act No. 11 of 1983)

Arrangement of Sections

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THE FINANCE ACT, 1983

An

Act

to give effect to the financial proposals of the Central Government for the financial year 1983-84.

BE it enacted by Parliament in the Thirty-fourth Year of the Republic of India as follows:—

CHAPTER I

Preliminary

1. *Short title and commencement.*—(1) This Act may be called the Finance Act, 1983.

(2) Save as otherwise provided in this Act, sections 2 to 43 and section 59 shall be deemd to have come into force on the 1st day of April, 1983.

CHAPTER II

Rates of Income-tax

2. *Income-tax.*—(1) Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 1983, income-tax shall be charged at the rates specified in Part I of the First Schedule and shall be increased,—

(a) in the cases to which Paraghaphs A, B, C, and D of that Part apply, by a surcharge for purposes of the Union; and

(b) in the cases to which Paragraph E of that Part applies, by a surcharge,

calculated in each case in the manner provided therein.

(2) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part I of the First Schedule applies, where the assessee has, in the previous year, any net agricultural income exceeding six hundred rupees, in addition to total income, and the total income exceeds,—

(i) in a case to which the said Sub-paragraph I applies, fifteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, twelve thousand rupees,

then,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) (that is to say, as if the

net agricultural income were comprised in the total income after,—

(i) in a case to which the said Sub-Paragraph I applies, the first fifteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, the first eight thousand rupees,

of the total income but without being liable to tax), only for the purpose of charging income-tax in respect of the total income; and

(b) the income-tax chargeable shall be calculated as follows:—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or , as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income:

Provided that in a case referred to in the said Sub-Paragraph II, for the purpose of determaining the amount of income-tax in accordance with this sub-clause, the provisions of clause (ii) of the proviso below Sub-Paragraph II and the provisions relating to surcharge on income-tax in the said Sub-Paragraph II shall not apply;

(ii) the net agricultural income shall be increased,—

(A) in a case to which the said Sub-Paragraph I applies, by a sum of fifteen thousand rupees; and

(B) in a case to which the said Sub-Paragraph II applies, by a sum of eight thousand rupees,

and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income:

Provided that in a case referred to in the said Sub-Paragraph II, for the purposes of determining the amount of income-tax in accordance with this sub-clause, the provisions of clause (ii) of the proviso below the said Sub-Paragraph II and the provisions relating to surcharge on income-tax in the said Sub-Paragraph II shall not apply;

(iii) the amount of income-tax determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax determined in accordance with sub-clause (ii) :

Provided that in a case referred to in the said Sub-Paragraph II, where the sum so arrived at exceeds sixty per cent.

of the amount by which the total income exceeds twelve thousand rupees, the excess shall be disregarded;

(iv) the amount of income-tax determined in accordance with sub-clause (iii) shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax and the sum so arrived at shall be the income-tax in respect of the total income.

(3) In cases to which the provisions of Chapter XII or section 164 or section 164A or section 167A of the Income-tax Act, 1961 (43 of 1961) (hereinafter referred to as the Income-tax Act) apply, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be.

(4) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.

(5) Subject to the provisions of sub-section (6), in cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged deducted or computed at the rate or rates specified in Part III of the First Schedule:

Provided that in cases to which the provisions of Chapter XII or Chapter XIIA or section 164 or section 164A or section 167A of the Income-tax Act apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be:

Provided further that an assessee, being a company, may, in lieu of payment of one-half of the amount of surcharge on income-tax at the rate specified in Paragraph E of Part III of the First Schedule, make deposit under the scheme framed under sub-section (7) before the last instalment of "advance tax" is due in its case, and where it does so, the surcharge on income-tax payable by it shall be reduced,—

(i) in a case where the amount of the deposit so made is equal to, or exceeds, one-half of the amount of surcharge on

income-tax payable by it, by one-half of the amount of surcharge payable by it; and

(ii) in a case where the amount of the deposit so made falls short of one-half of the amount of surcharge on income-tax payable by it, by the amount of the deposit.

(6) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part III of the First Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income exceeding six hundred rupees, in addition to total income and the total income exceeds,—

(i) in a case to which the said Sub-Paragraph I applies, fifteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, twelve thousand rupees,

then, in calculating income-tax under the first proviso to sub-section (5) of section 132 of the Income-tax Act or in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates in force,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) (that is to say, as if the net agricultural income were comprised in the total income after,—

(i) in a case to which the said Sub-Paragraph I applies, the first fifteen thousand rupees, and

(ii) in a case which the said Sub-Paragraph II applies, the first eight thousand rupees,

of the total income but without being liable to tax), only for the purpose of calculating, charging or computing such income-tax or, as the case may be, "advance tax" in respect of the total income; and

(b) such income-tax or, as the case may be, "advance tax" shall be so calculated, charged or computed as follows:—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance tax" shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income:

Provided that in a case referred to in the said Sub-Paragraph II, for the purposes of determining the amount of income-tax or "advance tax" in accordance with this sub-clause, the provisions of clause (ii) of the proviso below the said Sub-Paragraph II and the provisions relating to surcharge on Income-tax in the said Sub-Paragraph II shall not apply;

(ii) the net agricultural income shall be increased,—

(A) in a case to which the said Sub-Paragraph I applies, by a sum of fifteen thousand rupees; and

(B) in a case to which the said Sub-Paragraph II applies, by a sum of eight thousand rupees,

and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in the said Sub-Paragraph I or, as the case may be, the said Sub-Paragraph II, as if the net agricultural income as so increased were the total income:

Provided that in a case referred to in the said Sub-Paragraph II, for the purposes of determining the amount of income-tax or "advance tax" in accordance with this sub-clause, the provisions of clause (ii) of the proviso below the said Sub-paragraph II and the provisions relating to surcharge on income-tax in the said Sub-paragraph II shall not apply;

(iii) the amount of income-tax or "advance tax" determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (ii):

Provided that in a case referred to in the said Sub-paragraph II, where the sum so arrived at exceeds sixty per cent of the amount by which the total income exceeds twelve thousand rupees, the excess shall be disregarded;

(iv) the amount of income-tax or "advance tax" determined in accordance with sub-clause (iii) shall be increased by a surcharge for purposes of the Union calculated at the rate of twelve and one-half per cent of

such income-tax or, as the case may be, "advance tax" and the sum so arrived at shall be the income-tax or as the case may be, "advance tax" in respect of the total income.

(7) Where an assessee, being a company, makes, during the financial year commencing on the 1st day of April, 1983, any deposit with the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964 (18 of 1964) under any such scheme as the Central Government may, by notification in the Official Gazette, frame in this behalf, then the surcharge on income-tax payable by the company for the assessment year commencing on the 1st day of April, 1984 shall be reduced—

(i) in a case where the amount of the deposit so made is equal to, or exceeds, one-half of the amount of surcharge on income-tax payable by it, by one-half of the amount of surcharge payable by it; and

(ii) in a case where the amount of the deposit so made falls short of one-half of the amount of surcharge on income-tax payable by it, by the amount of the deposit.

(8) For the purposes of this section and the First Schedule,—

(a) "company in which the public are substantially interested" means a company which is such a company as is referred to in section 108 of the Income-tax Act;

(b) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1983, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of that Act;

(c) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

Explanation.—For the purposes of this clause, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power

or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any one or more of the aforesaid activities included in its total income of the previous year (as computed before making any deduction under Chapter VIA of the Income-tax Act) is not less than fifty-one per cent of such total income:

Provided that this clause shall not apply for the purposes of Paragraph E of Part III of the First Schedule, and for the purposes of that Paragraph, the expression "industrial company" shall have the meaning assigned to it in the Explanation at the end of that Paragraph;

(d) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of Insurance);

(e) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule;

(f) "tax-free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;

(g) all other words and expressions used in this section or in the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings respectively assigned to them in that Act.

CHAPTER III

Direct Taxes

Income-tax

3. *Amendment of section 2.*—In section 2 of the Income-tax Act,—

(a) in clause (15), the words "not involving the carrying on of any activity for profit" shall be omitted with effect from the 1st day of April, 1984;

(b) in clause (18), in sub-clause (b), for item (B), the following item shall be substituted with effect from the 2nd day of April, 1983, namely:—

'(B) shares in the company (not being shares entitled to a fixed rate of dividend whether with or without a further right to participate in profits) carrying not less than fifty per cent of the voting power have been allotted unconditionally to, or acquired unconditionally by, and were throughout the relevant previous year beneficially held by—

(a) the Government, or

(b) a corporation established by a Central, State or Provincial Act, or

(c) any company to which this clause applies or any subsidiary company of such company where such subsidiary company fulfils the conditions laid down in clause (b) of section 108.

Explanation.—In its application to an Indian company whose business consists mainly in the construction of ships or in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power, item (B) shall have effect as if for the words "not less than fifty per cent.", the words "not less than forty per cent" had been substituted;".

4. *Amendment of section 9.*—In section 9 of the Income-tax Act, in sub-section (1),—

(a) in clause (i), in the *Explanation*, after clause (b), the following clause shall be inserted and shall be deemed always to have been inserted, namely:—

"(c) in the case of a non-resident, being a person engaged in the business of running a news agency or of publishing newspapers, magazines or journals, no income shall be deemed to accrue or arise in India to him through or from activities which are confined to the collection of news and views in India for transmission out of India;";

(b) to clause (ii), the following *Explanation* shall be added and shall be deemed to have been added with effect from the 1st day of April, 1979, namely:—

"*Explanation.*—For the removal of doubts, it is hereby declared that income of the nature referred to in this clause payable for service rendered in India shall be regarded as income earned in India;".

5. *Amendment of section 10.*—In section 10 of the Income-tax Act,—

(a) after clause (6), the following clause shall be inserted with effect from the 1st day of April, 1984, namely:—

'(6A) where in the case of a foreign company deriving income by way of royalty or fees for technical services received from Government or an Indian concern in pursuance of an agreement made by the foreign company with Government or the Indian concern after the 31st day of March, 1976 and approved by the Central Government, the tax on such income is payable, under the terms of such agreement, by Government or the Indian concern to the Central Government, the tax so paid.

Explanation.—For the purposes of this clause,—

(a) "fees for technical services" shall have the same meaning as in *Explanation* 2 to clause (vii) of sub-section (1) of section 9;

(b) "foreign company" shall have the same meaning as in section 80B;

(c) "royalty" shall have the same meaning as in *Explanation* 2 to clause (vi) of sub-section (1) of section 9;';

(b) in clause (10),—

(i) for the words "thirty thousand rupees", at the three places where they occur, the words "thirty-six thousand rupees" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1982;

(ii) after the provisos and before the *Explanation*, the following provisos shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1982, namely:—

'Provided also that the Central Government may, having regard to the maximum amount which may for the time being be exempt under sub-clause (i), increase, by notification in the Official Gazette, the limit of thirty-six thousand rupees, for all the three purposes for which it has been mentioned in the foregoing provisions of this clause, upto such maximum amount:

Provided also that in relation to cases in which the event (that is to say, retirement of the employee or his becoming incapacitated or termination of his employment or his death, as the case may be) on which gratuity is received had taken place before the 31st day of January, 1982, the proviso immediately preceding this proviso shall not apply and the remaining provisions of this clause shall have effect as if for the words "thirty-six thousand rupees", at the three places where they occur, the words "thirty thousand rupees" had been substituted.';

(c) in clause (15),—

(i) in sub-clause (iib) [directed to be inserted by clause (d) of section 4 of the Finance Act, 1982 (14 of 1982)], for the words "interest on such Capital Investment Bonds", the words "in the case of an individual or a Hindu undivided family, interest on such Capital Investment Bonds" shall be substituted;

(ii) in sub-clause (iv),—

(1) for item (a), the following item shall be substituted, namely:—

"(a) by Government or a local authority on moneys borrowed by it from, or debts owed by it to, sources outside India;";

(2) in item (c),—

(A) after the words "raw materials", the words "or components" shall be inserted;

(B) the following *Explanation* shall be inserted at the end, namely:—

'*Explanation.*—For the purposes of this item, "purchase of capital plant and machinery" includes the purchase of such capital plant and machinery under a hire-purchase agreement or a lease agreement with an option to purchase such plant and machinery;';

(3) in item (d), after the words and figures "Industrial Development Bank of India Act, 1964 (18 of 1964)", the words and figures "or the Export-Import Bank of India, Act, 1981 (28 of 1981)" shall be inserted; established under the Export-import Bank of India

(4) after item (f) and before the *Explanation*, the following item shall be inserted, namely:—

"(g) by a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes, being a company approved by the Central Government for the purposes of clause (viii) of sub-section (1) of section 36, on any moneys borrowed by it in foreign currency from sources outside India under a loan agreement approved by the Central Government, to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan and its repayment.";

(5) in the *Explanation*, for the words "this item", the words, brackets and letters "items (f) and (g)" shall be substituted;

(d) in clause (21), the following proviso shall be inserted at the end with effect from the 1st day of April, 1984, namely:—

"Provided that nothing contained in this clause shall apply if for any period during the previous year—

(i) any sums by way of contributions received by the association are invested or deposited after the 28th day of February, 1983 otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11; or

(ii) any funds of the association invested or deposited before the 1st day of March, 1983 otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11 continue to remain so invested or deposited after the 30th day of November, 1983; or

(iii) any shares in a company [not being a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956) or a corporation established by or under a Central, State or Provincial Act] are held by the association after the 30th day of November, 1983;";

(e) in clause (26A),—

(i) for the figures, letters and words "1st day of April, 1983", the figures, letters and words "1st day of April, 1986" shall be substituted;

(ii) the *Explanation* shall be numbered and shall be deemed to have been numbered with effect from the 1st day of April, 1980 as *Explanation* 1 and after *Explanation* 1 as so numbered, the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1980, namely:—

"*Explanation 2.*—In this clause, references to the district of Ladakh shall be construed as references to the areas comprised in the said district on the 30th day of June, 1979;".

6. *Amendment of section 11.*—In section 11 of the Income-tax Act,—

(a) in sub-section (2), for clause (b), the following clause shall be substituted, namely:—

'(b) the money so accumulated or set apart is invested or deposited in the forms or modes specified in sub-section (5).",

(b) after sub-section (4), the following sub-section shall be inserted with effect from the 1st day of April, 1984, namely:—

"(4A) Sub-section (1) or sub-section (2) or sub-section (3) or sub-section (3A) shall not apply in relation to any income, being profits and gains of business, unless—

(a) the business is carried on by a trust wholly for public religious purposes and the business consists of printing and publication of books or publication of books or is of a kind notified by the Central Government in this behalf in the Official Gazette; or

(b) the business is carried on by an institution wholly for charitable purposes and the work in connection with the business is mainly carried on by the beneficiaries of the institution,

and separate books of account are maintained by the trust or institution in respect of such business.";

(e) after sub-section (4), the following sub-section shall be inserted, namely:—

'(5) The forms and modes of investing or depositing the money referred to in clause (b) of sub-section (2) shall be the following, namely:—

(i) investment in savings certificates as defined in clause (c) of section 2 of the Government Savings Certificates Act, 1959 (46 of 1959), and any other securities or certificates issued by the Central Government under the Small Savings Schemes of that Government;

(ii) deposit in any account with the Post Office Savings Bank;

(iii) deposit in any account with a scheduled bank or a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank).

Explanation.—In this clause, "scheduled bank" means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955), a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970), or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980), or any other bank being a bank included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);

(iv) investment in units of the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963);

(v) investment in any security for money created and issued by the Central Government or a State Government;

(vi) investment in debentures issued by, or on behalf of, any company or corporation both the principal whereof and the interest whereon are fully and unconditionally guaranteed by the Central Government or by a State Government;

(vii) investment or deposit in any Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956);

(viii) deposits with or investment in any bonds issued by a financial corporation which is engaged in providing long-term finance for industrial development in India and which is approved by the Central Government for the purposes of clause (viii) of sub-section (1) of section 36;

(ix) deposits with or investment in any bonds issued by a public company formed and registered in India with the main object of carrying on the business of providing longterm finance for construction or purchase of houses in India for residential purposes and which is approved by the Central Government for the purposes of clause (viii) of sub-section (1) of section 36;

(x) investment in immovable property.

Explanation.—"Immovable property" does not include any machinery or plant (other than machinery or plant installed in a building for the convenient occupation of the building) even though attached to or permanently fastened to anything attached to, the earth.'.

7. *Amendment of section 13.*—In section 13 of the Income-tax Act,—

(a) in sub-section (1),—

(i) clause (bb) shall be omitted with effect from the 1st day of April, 1984;

(ii) for clause (d), the following clause shall be substituted, namely:—

"(d) in the case of a trust for charitable or religious purposes or a charitable or religious institution, any income thereof, if for any period during the previous year—

(i) any funds of the trust or institution are invested or deposited after the 28th day of February, 1983 otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11; or

(ii) any funds of the trust or institution invested or deposited before the 1st day of March, 1983 otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11 continue to remain so invested or deposited after the 30th day of November, 1983; or

(iii) any shares in a company [not being a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956) or a corporation established by or under a Central, State or Provincial Act] are held by the trust or institution after the 30th day of November, 1983:

Provided that nothing in this clause shall apply in relation to—

(i) any assets held by the trust or institution where such assets form part of the corpus of the trust or institution as on the 1st day of June, 1973 and such assets were not purchased by the trust or institution or acquired by it by conversion of, or in exchange for, any other asset;

(ii) any assets (being debentures issued by, or on behalf of, any company or corporation) acquired by the trust or institution before the 1st day of March, 1983;

(iii) any funds representing the profits and gains of business, being profits and gains of any previous year relevant to the assessment year commencing on the 1st day of April, 1984 or any subsequent assessment year.

Explanation.—Where the trust or institution has any other income in addition to profits and gains of business, the provisions of clause (iii) of this proviso shall not apply unless the trust or institution maintains separate books of account in respect of such business.";

(b) in sub-section (2), in the opening portion, for the words, brackets and letter "provisions of clause (c)" the words, brackets and letters "provisions of clause (c) and clause (d)" shall be substituted;

(c) in sub-section (4), in the opening portion, for the words ",in a case where", the words, brackets and letter "but without prejudice to the provisions contained in clause (d) of that sub-section, in a case where" shall be substituted;

(d) sub-sections (5) and (6) shall be omitted.

8. *Amendment of section 16.*—In section 16 of the Income-tax Act, in clause (i), for the words "five thousand rupees", the words "six thousand rupees" shall be substituted with effect from the 1st day of April, 1984.

9. *Amendment of section 24.*—In section 24 of the Income-tax Act, in sub-section (1), to clause (vi) the following *Explanation* shall be added with effect from the 1st day of April, 1984, namely:—

"*Explanation.*—where the property has been acquired or constructed with borrowed capital, the interest, if any, payable on such capital for the period prior to the previous year in which the property has been acquired or constructed, as reduced by any part thereof allowed as a deduction under any other provision of this Act, shall be deducted under this clause in equal instalments for the said previous year and for each of the four immediately succeeding previous years;".

10. *Amendment of section 32.*—In section 32 of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 1984,—

(a) in clause (ii), in the first proviso, for the words "seven hundred and fifty rupees", the words "five thousand rupees" shall be substituted;

(b) in clause (iv), the words, brackets and figures "but any such sum shall not be deductible in determining the written down value for the purposes of clause (ii) of sub-section (1);" shall be omitted;

(c) in clause (v), the words, brackets and figures "but any such sum shall not be deductible in determining the written down value for the purposes of clause (ii);" shall be omitted.

11. *Amendment of section 32A.*—In section 32A of the Income-tax Act,—

(a) in sub-section (2),—

(i) after clause (b) and before the *Explanation*, the following clause shall be inserted with effect from the 1st day of April, 1984, namely:—

"(c) any new machinery or plant installed after the 31st day of March, 1983, but before the 1st day of April, 1988, for the purposes of business of repairs to ocean-going vessels or other powered craft if the business is carried on by an Indian company and the business so carried on is for the time being approved for the purposes of this clause by the Central Government.";

(ii) in the *Explanation*, for the words, brackets, figures and letter "this sub-section and sub-sections (2B) and (4)", the words, brackets, figures and letters "this sub-section and sub-sections (2B), (2C) and (4)" shall be substituted with effect from the 1st day of June, 1983;

(b) after sub-section (2B), the following sub-section shall be inserted with effect from the 1st day of June, 1983, namely:—

'(2C) Where any new machinery or plant, being machinery or plant which would assist in control of pollution or protection of environment and which has been notified in this behalf by the Central Government in the Official Gazette, is installed after the 31st day of May, 1983 in any industrial undertaking referred to in sub-clause (i) or sub-clause (ii) or sub-clause (iii) of clause (b) of sub-section (2), the provisions of sub-section (1) shall have effect in relation to such machinery or plant as if for the words "twenty-five per cent.", the words "thirty-five per cent." had been substituted.'.

12. *Amendment of section 35.*—In section 35 of the Income-tax Act, in sub-section (2A), after the words "pays any sum", the brackets and words "(being any sum paid with a specific direction that the sum shall not be used for the acquisition of any land or building or construction of any building)" shall be inserted with effect from the 1st day of April, 1984.

13. *Amendment of section 35B.*—In section 35B of the Income-tax Act, in sub-section (1), in clause (a), after the words,

figures and letters "after the 29th day of February, 1968", the words, figures and letters "but before the 1st day of March, 1983" shall be inserted.

14. *Amendment of section 35C.*—In section 35C of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 1984,—

(a) in clause (a), the words "a sum equal to one and one-fifth times" shall be omitted;

(b) in the *Explanation*, for the words "expenditure with reference to which deduction under this section is to be allowed", the words "expenditure which is to be allowed as deduction under this section" shall be substituted.

15. *Amendment of section 35CC.*—In section 35CC of the Income-tax Act, in sub-section (1), after the proviso, the following proviso shall be inserted, namely:—

"Provided further that the prescribed authority shall not approve any programme unless such programme is a programme falling within any such class or category of programmes of rural development as may be specified by the Central Government in this behalf.".

16. *Amendment of section 35CCA.*—In section 35CCA of the Income-tax Act,—

(a) in sub-section (1),—

(i) in clause (b), the word "or" shall be added at the end;

(ii) after clause (b), the following clause shall be inserted, namely:—

"(c) to a rural development fund set up and notified by the Central Government in this behalf,";

(b) for sub-section (2), the following sub-sections shall be substituted, namely:—

"(2) The deduction under clause (a) of sub-section (1) shall not be allowed in respect of expenditure by way of payment of any sum to any association or institution

referred to in the said clause unless the assessee furnishes a certificate from such association or institution to the effect that—

(a) the programme of rural development had been approved by the prescribed authority before the 1st day of March, 1983; and

(b) where such payment is made after the 28th day of February, 1983, such programme involves work by way of construction of any building or other structure (whether for use as a dispensary, school, training or welfare centre, workshop or for any other purpose) or the laying of any road or the construction or boring of a well or tube-well or the installation of any plant or machinery, and such work has commenced before the 1st day of March, 1983.

(2A) The deduction under clause (b) of sub-section (1) shall not be allowed in respect of expenditure by way of payment of any sum to any association or institution unless the assessee furnishes a certificate from such association or institution to the effect that—

(a) the prescribed authority had approved the association or institution before the 1st day of March, 1983; and

(b) the training of persons for implementing any programme of rural development had been started by the association or institution before the 1st day of March, 1983.

(2B) No certificate of the nature referred to in sub-section (2) or sub-section (2A) shall be issued by any association or institution unless such association or institution has obtained from the prescribed authority authorisation in writing to issue certificates of such nature.".

17. *Amendment of section 37.*—In section 37 the Income-tax Act,—

(a) in sub-section (2A),—

(i) for clauses (iii) and (iv), the following shall be substituted with effect from the 1st day of April, 1984, namely:—

"(iii) on the balance of the profits and gains of the business or profession (computed in the manner aforesaid)	at the rate of ¼ per cent.,

so, however, that the allowance shall in no case exceed Rs. 50,000:";

(ii) the *Explanation* shall be numbered and shall be deemed to have been numbered with effect from the 1st day of April, 1976 as *Explanation* 1 and after *Explanation* 1 as so numbered, the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1976, namely:—

'*Explanation 2.*—For the removal of doubts, it is hereby declared that for the purposes of this sub-section and sub-section (2B), as it stood before the 1st day of April, 1977, "entertainment expenditure" includes expenditure on provision of hospitality of every kind by the assessee to any person, whether by way of provision of food or beverages or in any other manner whatsoever and whether or not such provision is made by reason of any express or implied contract or custom or usage of trade, but does not include expenditure on food or beverage provided by the assessee to his employees in office, factory or other place of their work,';

(b) after sub-section (3), the following sub-sections shall be inserted with effect from the 1st day of April, 1984, namely:—

'(3A) Notwithstanding anything contained in sub-section (1), where the expenditure or, as the case may be, the aggregate expenditure incurred by an assessee on any one or more of the items specified in sub-section (3B) exceeds one hundred thousand rupees, twenty per cent. of such excess shall not be allowed as deduction in computing the income chargeable under the head "Profits and gains of business or profession".

(3B) The expenditure referred to in sub-section (3A) is that incurred on—

(i) advertisement, publicity and sales promotion; or

(ii) running and maintenance of aircraft and motor cars; or

(iii) payments made to hotels.

Explanation.—For the purposes of sub-sections (3A) and (3B),—

(a) the expenditure specified in clause (i) to clause (iii) of sub-section (3B) shall be the aggregate amount of expenditure incurred by the assessee as reduced by so much of such expenditure as is not allowed under any other provision of this Act;